

A STUDY ON THE EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEM IN BHEL, TIRUCHIRAPPALLI

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ABSTRACT

The performance management system is used to interrelate organizational vision and with the individual goal for meeting this effectiveness of the performance management system. It finds the pathway and assesses individual performance outcomes. It empowers the employee to contribute to the organization. Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance management is a whole work system that begins when a job is defined as needed. This study concentrates on the eight factors which are responsible for performance management system effectiveness and its association with organizational effectiveness. The degree of employee awareness and perception about the performance management system give greater effectiveness of the same. So the study found that performance review focus and employee participation strongly connect with employees perceptions of performance appraisal system rating fairness and performance review. From the foregoing review of literature, it can be understood that though many studies have been conducted on different aspects of performance management system in India and even in foreign countries, a study specifically for the effectiveness of performance management system of BHEL is missing in the literature. Hence, the study will attempt to examine the present scenario of the effectiveness of the performance management system of BHEL, Trichy by highlighting the existing lacuna and drawbacks. The scope of this research is confined to employees in the BHEL, Trichy. The study covered eight factors viz., Organizational strategy, Goals and performance measures, Performance Standard, Performance management system and feedback, Performance Rating, Performance management system and Training and development and Performance management system and Reward to analyze the effectiveness of the performance management system. The report of the thesis is presented in six chapters. The population of the study constitutes employees of the BHEL High-Pressure Boiler Plant located at Tiruchirappalli, Tamilnadu. Hence, the employees of BHEL, Tiruchirappalli are selected as respondents for examining the effectiveness of the performance management system. The result of the study reveals that the employees of higher level management well aware whereas middle and lower level management employees have poor awareness of the overall performance management system of the study unit.

KEYWORDS: Performance Management System, PMS, Effectiveness & BHEL

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INTRODUCTION

Performance Management System is defined as a process that consolidates goal setting, performance appraisal and development into a single common system. The aim of which is to ensure that an employee's performance is supporting the company's strategic plan. Performance management system includes the practices through which the manager defines the employee's goal, work, develop the employee's capabilities, evaluate and

reward the personal effort within the framework of how the employee's performance should be contributing to achieving company's goal.

The performance management system reflects the popularity of Total Quality Management and emphasis the integrated nature of goal setting, appraisal and development. The performance management system also aids the employee's continuous improvement effort, which implies that each employee must continuously improve their own personal performance from one appraisal period for next.

Focus of performance management system is a development of mission and goal statement of the company that includes development of business plan, communicating goals and objectives to employees, defining role responsibilities, measuring individual performance, performance standards and comparing them to individual performance, competency analysis, continuous monitoring and 360° feedback, conducting performance and development reviews, coaching, counseling, rewarding and problem solving.

In recent decades, however, the process of managing people has become more formalized and specialized. Many of the old performance appraisal methods have been absorbed into the concept of Performance Management, which aims to be a more extensive and comprehensive process of management. Some of the developments that have shaped Performance Management in recent years are the differentiation of employees or talent management, management by objectives and constant monitoring and review.

Statement of the Problem

In India, many corporate establishments have disappeared even in the initial stage of its operation. But some are glittering with excellent performance and the Bharat Heavy Electrical Limited (BHEL), the public sector organization is one among those glittering corporate establishments that has excelled in its performance. In the midst of heavy odds this public sector company has achieved a remarkable success over the years and has become a big motivator and a role model for all other public sector concerns. However, being a public sector organization the BHEL faces many hurdles to implement performance management system effectively. The productivity and efficiency of the employee mainly depend upon the effective implementation of performance management system of the Public Sector organization. Hence, an attempt made by the researcher to investigate effectiveness of performance management system of the BHEL, Trichy.

Scope of the Study

The scope of this research is confined to employees in the BHEL, Trichy. The research confines the study of effectiveness of performance management system of the BHEL, Trichy. The study covered Eight factors viz., Organizational strategy, Goals and performance measures, Performance Standard, Performance management system and feedback, Performance Rating, Performance management system and Training and development and Performance management system and Reward to analyses the effectiveness of the performance management system. This study will be helpful for the management to design an efficient performance management system and improve satisfaction of the employees.

OBJECTIVE OF THE STUDY

The objectives of the study are;

- To analyze the awareness and satisfaction level of the employees towards performance management system of

BHEL Trichy.

- To study the effectiveness of the performance management system of the study unit through employee perception.
- To study the factors affecting satisfaction of the employees with performance management system of the study unit.

REVIEW OF LITERATURE

Farheen Mughal, (2014)¹ highlighted the importance of performance management and effectiveness of performance management system in Alfalah Bank. The research findings had shown that the employees of Alfalah bank have facing the problem of dissatisfaction from their current performance management and also the current performance management system of Alfalah bank lacks motivation and proper reward system.

Nigam Rachna, et al (2015)² observed that the private sector is much more advanced and aware of the latest and best in class performance management practices. The employees of these private sector organizations have full knowledge of the performance management activities and methods prevailing in their respective organizations. The satisfaction levels of the employees of private sector are much more than that of the employees of public sector organizations. Performance Management is taken very seriously and is conducted accurately and systematically in private sector whereas, it is treated as a mere formality in public sector organization.

Shrivastava, et al (2011)³ studied the differences between public and private sector banks with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction. Perception of fairness of the performance appraisal system has been studied through nine factors. The study used independent samples *t*-test and qualitative analysis to study the mean differences between the two banks. Results indicated that private sector bank employees perceive greater fairness and satisfaction with their performance appraisal system as compared to public sector bank employees.

STATISTICAL ANALYSIS

The collected data and information have been carefully processed, tabulated, analyzed and interpreted in order to reach the findings. The researcher has selected 374 samples from the total population of 12674 employees in BHEL, Trichy. The data are processed through SPSS (statistical package for social sciences) and analysis was made by drawing cross-tables, calculating percentage and by applying the statistical tools. The statistical tools and techniques such as arithmetic mean and simple percentage were used in the study. The hypotheses framed for the study were tested using appropriate tests of significance. Chi-square test, inter correlation, *t*-test and ANOVA test were the statistical tools applied to test the significance.

¹ Farheen Mughal, FaizaAkram, Syed Sadaqat Ali, "Implementation and Effectiveness of Performance Management System in Alfalah Bank", Journal of Public Administration and Governance, Vol. 4, No. 4, pp. 111-122, 2014

² Nigam Rachna and Mishra Snigdha, "Performance Management System Effectiveness: A Comparative Study of Public & Private Sector", International Journal of Advances in Management and Economics, Vol.4, Issue 3, pp. 80-88, May-June 2015.

³ Shrivastava A. and Purang P. "Employee perceptions of performance appraisals: a comparative study on Indian banks" The International Journal of Human Resource Management, Vol. 22, Iss. 3, pp. 632-647, 2011.

Overall Level of Awareness on Performance Management System

The level of awareness of the respondents about the overall performance management system of the study unit is shown in Table 1.

Table 1: Overall Level of Awareness on Performance Management System

Category of the Respondents	No. of Respondents			
	Low	Moderate	High	Total
Higher Level Management	12 (06.49)	16 (13.22)	33 (48.53)	61 (16.31)
Middle Level Management	45 (24.32)	68 (56.20)	18 (26.47)	131 (35.03)
Lower Level Management	128 (69.19)	37 (30.58)	17 (25.00)	182 (48.66)
Total	185 (100.00)	121 (100.00)	68 (100.00)	374 (100.00)

Source: Primary data

Note: Figure in the bracket is percentage of total

It can be seen from the Table 1 that out of 374 respondents, 185 respondents (49.47 per cent), 121 respondents (32.35 per cent) and 68 respondents (18.18 per cent) revealed low, moderate and high level of awareness about the overall performance management system. In case of the respondents who expressed low awareness, about 69 per cent, 24 per cent and 6 per cent of the respondents belong to lower, middle and higher level management respectively. Among the respondents who revealed moderate awareness the majority of the respondents, 31 per cent and 13 per cent of the respondents belong to the middle, lower and higher level management. Out of 68 respondents who revealed a high level of awareness, nearly 49 per cent, 26 per cent and 25 per cent belong to the higher, middle and lower level management. Therefore, it can be inferred from the table that the employees of the higher, middle and lower level management have high, moderate and low level of awareness about the overall performance management system of the study unit.

Relationship between Demographic Variables and Level of Perception

In order to find out whether there is any significant difference between demographic variables and level of perception, a null hypothesis is framed and tested with the help of Chi-Square test. The result is given in Table 2

Null Hypothesis

There is no significant difference between demographic variables of the respondents and their level of perception about performance management system.

Table 2: Chi-Square Test Result

Demographic Variable and Level of Perception	Chi-Square Test – Value	Df	Table Value 5% Level	Table Value 1% Level	H ₀ Accepted / Rejected	Significance
Gender and level of perception	112.0	2	5.991	9.210	Rejected	** Significant
Age and level of perception	155.0	4	9.488	13.277	Rejected	** Significant
Marital status and level of perception	154.0	2	5.991	9.210	Rejected	** Significant
No. Of dependents and level of perception	163.0	4	9.488	13.277	Rejected	** Significant
No. Of earning members and level of perception	163.0	4	9.488	13.277	Rejected	** Significant

Table 2: Contd.,						
Educational qualifications and level of perception	254.0	4	9.488	13.277	Rejected	** Significant
Work experience and level of perception	165.0	4	9.488	13.277	Rejected	** Significant
Monthly income and level of perception	141.0	4	9.488	13.277	Rejected	** Significant

** Significant both at 5% level and the 1% level.

Table 2 shows that the level of perception was assessed with variables such as gender, age, marital status, number of dependents, number of earning members, educational qualifications, work experience and monthly income. From the analysis among them there is a significant difference between gender and level of perception, age and level of perception, marital status and level of perception, number of dependents and level of perception, number of earning members and level of perception, educational qualifications and level of perception, work of experience and level of perception and monthly income and level of perception about the performance management system of the study unit.

Correlation Matrix

To find out whether there is any significant association between performance management factors and perception about the overall performance management system of the study unit, the correlation coefficient is used to test the hypothesis.

Null Hypothesis

The perception of the respondents about Organizational strategy, Performance planning, Goals & performance measures, Performance Standard, Performance management system and feedback, Performance Rating, Performance management and Training and development, Performance management and Reward is positively associated with overall performance management system of the study unit.

Table 3: Inter Correlation Matrix (N=374)

Variables	Overall Perception	Perception about Organizational Strategy	Perception about Performance Planning	Perception about Goals and Performance Measures	Perception about Performance Standard	Perception about Performance Management System and Feedback	Perception about Performance Rating	Perception about Performance Management and Training and Development	Perception about Performance Management and Reward
Overall Perception	1.00								
Perception about Organizational strategy	0.98*	1.00							
Perception about Performance planning	0.94*	0.88*	1.00						
Perception about Goals and performance measures	0.96*	0.99*	0.83*	1.00					
Perception about Performance Standard	0.99*	0.97*	0.97*	0.93*	1.00				
Perception about Performance management system and feedback	0.98*	0.99*	0.88*	0.99*	0.96*	1.00			
Perception about Performance Rating	0.98*	0.99*	0.85*	0.99*	0.95*	0.99*	1.00		
Perception about Performance management and Training and development	0.95*	0.98*	0.80*	0.99*	0.92*	0.99*	0.99*	1.00	
Perception about Performance management and Reward	0.99*	0.99*	0.91*	0.93*	0.98*	0.99*	0.99*	0.97*	1.00

The correlation value is significant both at * $p < 0.05$ and $p < 0.01$,

The test statistic used to test the null hypothesis is

$$T = \frac{r}{\sqrt{(1-r^2)/(N-2)}}$$

Table 3 reveals that the Organizational strategy, Performance planning, Goals and performance measures, Performance Standard, Performance management system and feedback, Performance Rating, Performance management and Training and development, Performance management and Reward are positively and significantly associated with the overall perception of the respondent about the performance management system of the study unit.

Problems of the Respondents in the Performance Management System

The Garret ranking technique was used to rank the problems faced by the respondents in the performance management system of the study unit. In this method, the employees were asked to give ranks the problems. The order of merit given by the respondent was converted into ranks by using the following formula.

$$\text{Percentage position} = 100 (R_{ij} - 0.5) / N_j$$

Where,

R_{ij} = Rank given for i th factor by j th individual

N_j = Number of factors ranked by j th individual

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry Garrett. Then for each factor the scores of individual respondent are added together divided by the total number of respondents for whom scores were added. These mean scores for all the factors are arranged in the descending order, ranks are given and most important problems are identified. The problems faced by the respondents in performance management system of the study unit are listed out in the Table 4

Table 4: Problems of the Respondents

S. No	Problems	Score		Rank
		Total	Mean	
1	Insufficient clarification and translate the vision and strategy	17017	45.50	7
2	Not communicate and link the strategic objectives and measures	18142.74	48.51	6
3	Poor Performance Plans	15285.38	40.87	8
4	High Performance Standard	25727.46	68.79	1
5	Low Compensation, Recognition and Reward	24470.82	65.43	2
6	Not fair and equitable	10752.50	28.75	14
7	Absence of Integration with the strategic planning and human resource management systems	12442.98	33.27	12
8	Lack of Leadership Commitment	11392.04	30.46	13
9	Ignoring Change Management in System Implementation	16549.50	44.25	15
10	The Connection between individual objectives and organizational values, goals and strategies is not made	14746.82	39.43	9
11	Biased ratings	22484.88	60.12	3

Table 4: Contd.,				
12	Non Continuous Coaching, Feedback and Communication	18845.86	50.39	5
13	Discussion and Evaluation is not an effective	13935.24	37.26	10
14	Lack of Consistent Performance Management Plan	21306.78	56.97	4
15	Poor Documentation	13262.04	35.46	11

Sources: Primary Data.

Table 4 reveals that the ranking of the major problems faced by the respondent in the performance management system of the study unit. The problem "High Performance Standard" gets the first rank with the total score of 25727.46 and the mean score of 68.79. The problem "Low Compensation, Recognition and Reward" gets the second rank with the total score of 24470.82 and the mean score of 65.43. The problem "Biased ratings", get a third rank with the total score of 22484.88 and the mean score of 60.12. The other subsequent problems includes Lack of Consistent Performance Management Plan, Non Continuous Coaching, Feedback and Communication, Not communicate and link the strategic objectives and measures, Insufficient clarification and translate the vision and strategy, Poor Performance Plans, Connection between individual objectives and organizational values, goals and strategies is not made, Discussion and Evaluation is not an effective, Poor Documentation, Absence of Integration with the strategic planning and human resource management systems, Lack of Leadership Commitment, Not fair and equitable and Ignoring Change Management in System Implementation. Therefore, it is concluded that the High Performance Standard, Low Compensation, Recognition and Reward and Biased ratings are the most important problems of the employees in the performance management system of the study unit.

Awareness and Perception about Performance Management System

In order to find out whether there is any significant association between awareness of the respondents and their level of perception about performance management system of the study unit, a null hypothesis is framed and tested with the help of correlation coefficient. The result is shown in table 5.

Null Hypothesis

The greater awareness of the employees, the higher will be the perception about the performance management system of the study unit.

Table 5: Impact of Awareness on Perception of the Employees about Performance Management System

Variables	r	r ²	F- Statistics
Awareness and level of perception of the employees about performance management system	0.99961	0.99921	0.526

** Significant at both 1% and 5% level

Table 5 revealed that the coefficient values attached to each performance management system dimension in multiple regression analysis on employee perception. The above table indicates there is a strong relationship between the awareness of the employees and their perception about performance management system. r^2 value is indicating that awareness is a strong predictor of perception of the employees about performance management system. The 'F' statistics reveal the validity of fitted regression models. The results of the empirical analysis indicate that if study unit creates higher awareness on performance management system, this can improve perception of the employees about the performance

management system of the study unit.

ANOVA Test

To find out whether there is any significant difference between employees of the different level of management and their level of perception about a performance management system of the study unit a null hypothesis is designed and tested with the help of the ANOVA Test. The result is shown in Table 6.

Null Hypothesis

The respondents perceive the same level of perception about performance management system.

Table 6: Anova Test

Variables		SS	Df	MS	F	Significance
Level of management of the employees and their level of perception	Between sample	4349.55	2	2174.78	1.8811	Not significant
	Within sample	6936.67	6	1156.11		
	Total	11286.22	8			

Computed by the researcher

It is observed from the table 6 that the result of the ANOVA Test indicates that the calculated value is lesser than that of Table value; hence the null hypothesis is accepted. Therefore, it can be concluded that the different level of employees perceives the same level of perception about a performance management system of the study unit.

Awareness and Perception about Performance Management System

In order to find out whether there is any significant association between awareness of the respondents and their level of perception about performance management system of the study unit, a null hypothesis is framed and tested with the help of correlation coefficient. The result is shown in Table 7.

Null Hypothesis

The greater awareness of the employees, the higher will be the perception about the performance management system of the study unit.

Table 7: Impact of Awareness on Perception of the Employees about Performance Management System

Variables	R	r ²	F- Statistics
Awareness and level of perception of the employees about performance management system	0.99961	0.99921	0.526

** Significant at both 1% and 5% level

Table 7 revealed that the coefficient values attached to each performance management system dimension in multiple regression analysis on employee perception. The above table indicates there is a strong relationship between the awareness of the employees and their perception about performance management system. r^2 value is indicating that awareness is a strong predictor of perception of the employees about performance management system. The 'F' statistics reveal the validity of fitted regression models. The results of the empirical analysis indicate that if study unit creates higher awareness on performance management system, this can improve perception of the employees about the performance

management system of the study unit.

To summarize there were eight variables identified to measure the overall perception of the respondents about performance management system, for which the total sample respondents secured a mean score of 44.23 per cent out of a total score of 374. The higher, middle and lower level management have obtained the mean score of 60.26 per cent, 48.47 per cent and 35.81 per cent respectively. The respondents of higher level management have gained a mean score of more than 50 per cent for all the selected eight variables. The respondents of middle level management have obtained a mean score of less than 50 per cent, except the parameters "Performance planning" and "Performance management and reward". In case of the lower level management they have a lower mean score for all the eight variables. Therefore, the result of study reveals that the employees of the higher level management perceive moderate perception about the variables Organizational strategy, Performance planning, Goals and performance measures, Performance management system and feedback, Performance rating, Performance management and training and development and Performance management and reward. The middle level management has gained a low mean score for all the variables except Performance planning and Performance management and reward. The lower level management has acquired a low mean score for all the variables. Therefore, it can be inferred from the table that the employees of higher level management perceive moderate satisfaction, whereas employee of middle and lower level perceived low satisfaction about the overall performance management system of the study unit.

Further, the study indicates there is a strong relationship between the awareness of the employees and their perception about performance management system. r^2 value is indicating that awareness is a strong predictor of the perception of the employees about performance management system. The results of the empirical analysis indicate that if the study unit creates higher awareness of performance management system, this can improve the perception of the employees about the performance management system of the study unit.

SCOPE OF FUTURE RESEARCH

The study was paying attention to one public sector Company in the Indian Heavy Electricals industry. The outcome is specific because the researcher has used only one kind of business field. Therefore, further research should investigate public and private sector Heavy Electricals companies. The similar studies may also carry out other unit of the BHEL in India with more sample size.

CONCLUSIONS

To conclude, the performance management has increasingly become part of a more strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. The principal purpose of performance management system should be to improve the employee and the organizational performance. The system must be based on a deep regard for people and recognize that employees are the most important resource. The system should first of all contribute to the satisfaction of all the employees. This tenet will require a continuous effort in counseling, coaching and honest, open communications between the employee and supervisors. The implementation effective performance management is one of the vital factors for the organization to survive in the highly competitive business environment.

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